BANKING

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The banking facilities extant in Bulgaria were too large for the available volume of business and the crisis which survened after 1929 has affected all credit establishments very severely. In order to parry to the further falling off of the already limited volume of business, a policy of fusioning the banks has been embarked on, which will obviously help to consolidate their position.

According to an article published by the Journal of the Society of Bulgarian Economists in Dec. 1934, the total number of banking establishments in the country (including branch offices) at the end of 1931 numbered 2,673, with a total capital of 5,389 million leva, deposits 16,016, and advances amounting to 15,746 millions. This revealed a level of liquidity which is well above the point of safety, but which does not seem to have been maintained, in the case of certain banks.

The following table was appended, giving details of the distribution of the capital among the various groups of banks at the end of 1932.

	Capital	Deposits and moneys confided to them	Advances Current accounts discounted bills etc. (in million leva)
a) Government Banks			
Agricultural Bank	802	5,374	5, 09
Co-operative	164	659	769
National	1,691	464	717
Post Office Savings		877	730
International	40	123	124
b) Co-operative Banks			
Agricultural	450	1,394	1,185
Popular	790	2,465	2,505
Others	189	440	425
c) Private Banks			
Mortgage Bank	92	440	435
Large Sofia Banks	606	2,779	2,262
Other Sofia	250	385	309
Provincial	504	687	591
Total	5,578	16,106	15,761

•453 The figure of 16,016 million leva of deposits, is likely to give an erroneous estimate as to the financial strength of the country. Properly speaking, deposits, or savings, do not reach even half this figure, and according to the latest data they were reckoned to have been apportioned at the end of 1933 among the following banks. Agricultural Bank, 1,496, P. O. Savings Banks 1,171, all Co-operative Societies, 3,020, Private Banks 806, Foreign Banks in Bulgaria 450 millions, or a total of 6,943,000,000 leva. The tendency has been during the last few years to transfer savings from the private banks to the State banks and P. O. Savings banks, as presenting greater safety for the depositors. The uncertainty of the situation was increased owing to the pending voting of a Law aiming at alleviating indebtedness, the need of which law became imperative owing to the drop in the prices of agricultural produce, as a consequence of which farmers were no longer able to meet their obligations and credit had come to a standstill. It was rumoured that even savings at banks might be affected and owing to this apparent insecurity of capital, building operations have been indulged in out of all proportion to the present requirements of the country and a great amount of capital has been needlessly locked up. During 1933 some 9,161 buildings have been erected, of a total value of 1,313 million leva, about double the number and value of those constructed in 1931. (The value of the amount spent in Sofia on this head reached 800 million leva in 1933).

Already the disastrous effects are apparent, prices of buildings have depreciated by 30%, while the number of unlet flats and dwelling houses in Sofia is estimated at between 2900 and 3000.

652 453 The National Bank of Bulgaria is the sole central issuing bank, the main activities of which are centred round the aim of maintaining the stability of the national

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currency. It controls the sale of exchange and fixes the quotas of imports.

The Agricultural Bank and the Co-operative Bank which have now been fused into one, exert a preponderating influence in the economic life of the country and have contributed immensely in assisting farming operations and the development of rural credit. The guiding principles of these institutions was to come to the relief of the local population and not the pursuit of profit, with the result that very often less circumspection than the situation warranted was shown in the granting of credits. In the balance sheet of the Agricultural Bank published at the end of 1933 figured a sum of 924,631,000 leva advanced to the State for financing the Cereal Board and to municipalities for the construction of schools.

A sum of 2,553,606,000 leva was owing by farmers, 80% of which liabilities were overdue. A sum of 1,831 millions advanced to co-operative societies either cannot be considered as capable of quick realisation.[1] The bank, owing to the difficult position in which the peasantry find themselves, will be obliged to extend further facilities to its clients in order to enable them to [illegible]alise their farms and initiate other methods of cu[illegible]ion, for if this is not done, they will not be in a position to reimburse their debts to the bank. The position of the bank unfortunately does not permit it to undertake such a course and the only hope is that the State will eventually facilitate it to inaugurate such a forward policy.

The Popular Banks, to the number of 247 at the end of 1933, with a total capital and funds amounting to 930 million leva (The corresponding figure for June 1935 was 972 millions). are exerting a growing influence. They are

[1] At the end of 1934 Public institutions and individual farmers were owing to the Bank 3,188,566,436 leva and the co-operative societies 1,894,064,482 leva.

453 run on co-operative lines, having a total membership of 180,366. Their aim is to obtain credit facilities for their members and profit making is a secondary goal. The net profit shown during the year was 4%, which would have been by far higher if a more rational policy had been followed and new banks had not been opened in districts in which similar banks were already operating.

In Sofia there were in 1932, 25 Popular banks and in the course of 1923 seven more were founded. These 25 Popular Banks had an aggregate capital and reserves amounting to some 250 million leva and deposits of about double this figure. The staff of these 25 banks numbered 585 people, costing an outlay of 15·3 million leva annually, which was an unneedful luxury. This has apparently been perceived, whence the policy of bank fusioning which has been initiated by the government. The crisis has equally affected the Popular Banks, it was stated that 142 of these banks had a proportion of their advances to their members „frozen" to the extent of 50% to 80% and over, while in the case of the remainder, the percentage varied between 5% and 50%. The principal foreign Banks operating in Bulgaria were four and their capital and reserves attained at the end of 1931 the following figures: Banque Generale de Bulgarie 60,46; Banque de Credit 72,80; Banque Comerciale Italienne et Bulgare 62 and Banque Franco-Belge 170,86 million leva. Of late their activities have been very much restricted and the amount of their deposits singularly reduced from 2170 million in 1931 to 450 million leva at the end of 1933. The amount of foreign capital engaged in credit operations conducted by limited societies was reported to be 442·5 million leva, according to the Bulletin of the National Bank of Bulgaria (Jan. 1935), and this explains that besides the above mentioned four banks, several Bulgarian Banks such as the Banque Bulgare de Commerce were mainly operated

by foreign money. The main countries having invested capital in banking institutions in Bulgaria were: Belgium (66·9), France (92·2), Germany (53·4), Italy (53·3), U. S. A. (41·3), Holland (28·2), Hungary (26·8), Czechoslavakia (26·7) and Gt. Britain (24) million leva. Among the principal Bulgarian joint-stock banks are the Banque Bulgare de Commerce and the Union des Banques Bulgares possessing a capital and reserves amounting to 90 and 110 million leva respectively at the end of 1931. With the policy initiated by the government of fusioning the Bulgarian banks, it is probable that one, or both these two institutions will be merged in the newly created banking institution of the Credit Bulgare.

Among the credit establishments enjoying the greatest confidence are the Post Office savings banks, and the rapid growth of their deposits at a time these last were rapidly dwindling at other banks testifies to this.[1] The depositors are mainly women, householders (12.77%), farmers (15%), artizans (13·36%), workmen (7·29%) and functionaries (7·22%), and 37·85% of the depositors have only sums varying between 10 and 500 leva to their credit. This percentage of small deposits represents 4·14% of the total savings entrusted to the banks. If the deposits be divided into two categories, namely 10 to 1000 leva, and 1000 to 10,000 leva, the former belong to 57·43% of the depositors and represent 10·89% of the total sum confided to the savings banks, while the figures for the second category would be respectively 42·57% and 82·11%. The popularity of these banks is due in part to the facilities they extend and to the fact that 555 post offices are authorised to receive deposits and make payments. The savings banks have invested the major parts of their deposits with the Agricultural Bank (1.321,333,545 leva, at the end

[1] These had increased from 173 millions at the end of 1925 to 2006 million leva at the end of 1934 and to 2097 in June 1935.

454 of 1932) and in view of the difficult position the latter finds itself. it would not be an easy matter to find liquid funds to appease a panic should a run on the banks be experienced.

453 The great problem facing the banking institutions in Bulgaria is the providing of cheap long termed credits to the rural population so that it might be able to transform its methods of agricultural production. Until presently, the rates of interest charged to farmers by the Agricultural Bank were 8% to 10% and it is obvious that in the present circumstances it is impossible to expect that capital invested in agriculture would be profitably employed at such rates.

It is an imperative necessity to find means wherewith the rates of interest on advances to the peasants should be reduced to about half this figure, failing which there is little hope of securing an improvement in the economic conditions of the country. This is a matter which of course transcends the limited resources of Bulgaria and it would be well if an international institution took a hand in solving this problem on which hangs the future welfare of the country.

INDUSTRY

433 Bulgaria, like all the Near Eastern States has indulged in a policy of extreme industrialisation which has proved an excessively onerous burden to the community and which with the exception of a few directly interested individuals has brought no benefit whatsoever to the masses. The adoption of this policy is all the more regrettable since it has tended to widen the cleavage between the rural and the urban sections of the population, the former rightly claiming that the increase in the price of industrial articles which this policy involved tended to increase their

This instead of confiding to one central bank the
474 task of financing the co-operatives, two government institutions
453 were entrusted with this aim, with the result that each attempted to detach from the other as many of its clients as possible, and the nefarious example set by these government institutions was followed down the scale by many co-operatives which seemed to take pleasure in tress-passing on each others activities. To crown all, the fissiparous tendency which characterises the growth of every intellectual manifestation in Bulgaria split many groups into rival factions that wasted their means in fighting rather than in helping each other. The recent decision of the Government to amalgamate the Agricultural with the Co-perative Bank, the two governmental institutions financing the co-operatives, ought therefore to be applauded for it will tend to put a stop to the insensate rivalry between the two banks and facilitate the exertion of stricter supervision on their activities since they supply the bulk of the operating funds of the co-operative societies, for after all, it is the one who pays the piper who should call the tune. As the agricultural co-operatives, the popular banks, the producers' societies and the associations of consumers will each be represented by a delegate elected by them in the council of administration of the fused banks, it may be assumed that their respective requirements will be duly
474 studied and attended to. Thus one of the recommendations set forth in the Report prepared by the experts of the League of Nations in 1930 as to the Co-operative movement in Bulgaria has been realised. Any one interested in the state of the country should read this document for in it one will find a plethora of data which will permit one to form a general idea of the prevailing conditions which the experts do not view very optimistically, for according to them:

"The burden of taxation threatens to undermine the whole economic development of the country. The situation is difficult, but

	Year 1929—30	Year 1930—1	Year 1931—2	Average
North Bulgaria	171,06%	146,01%	110.70%	142.59%
Sofia region	179.90%	158.43%	158.28%	165.53%
South Bulgaria	119.60%	125.60%	186.23%	143.81%

This of course has been possible owing to the credits which they have been able to raise from the Agricultural Bank, and to their not applying them to the specific purposes for which these loans were granted; the Agricultural Bank having extended to the rural population credits amounting on an average to 7360 leva per hectare for the smaller category of farmsteads. It must not be thought however that the peasantry has been living wastefully, and has run into debt owing to its being profligate. Very often in periods of drought the Agricultural Bank, under pressure from the State, has been compelled to come to the assistance of the peasantry and to supply them with seed and food, practically with no guarantee. This will largely explain the excessive advances which the Bank has made to the rural population, which, if it were not for this timely aid would have literally starved.

The source of the trouble is that the available land is unsufficient to support the population, and that if it be not provided with more land in order to increase its production up to its requirements, or if it be not assisted financially in order to modernise its methods of cultivation, and thus be able to raise a larger quantity of products on the land it actually possesses, there will be grave danger of a dislocation of the present social fabric.

Prof. St. Tsolakov, a colleague of Prof. Dolinski, has published a most interesting essay in the 1934 Annuaire de l'Ecole des Hautes Etudes Commerciales, of Varna, on the position of the farmers in the Varna region, and on their indebtedness to the State. It is certainly representative of the whole country, and the study of the figures he supplies will convince any one that the problem